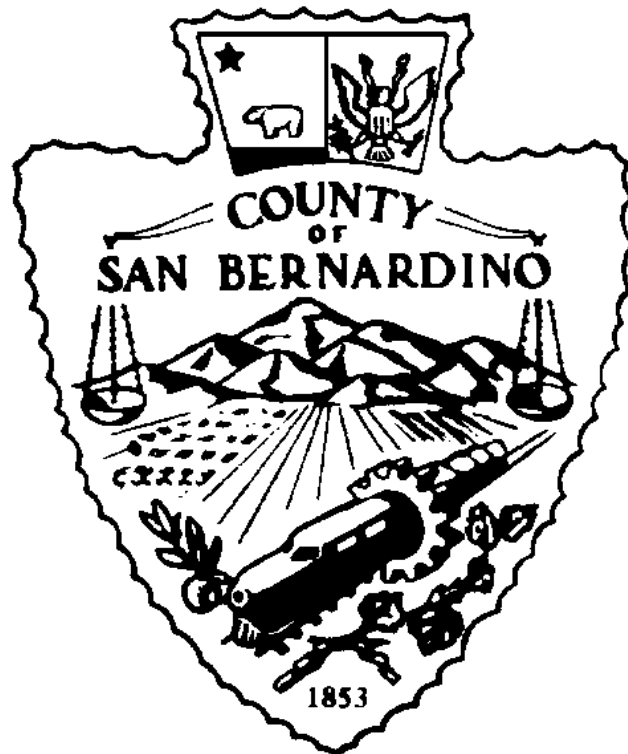




FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Supervisors
County of San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, business-types activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California (the County), as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-types activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

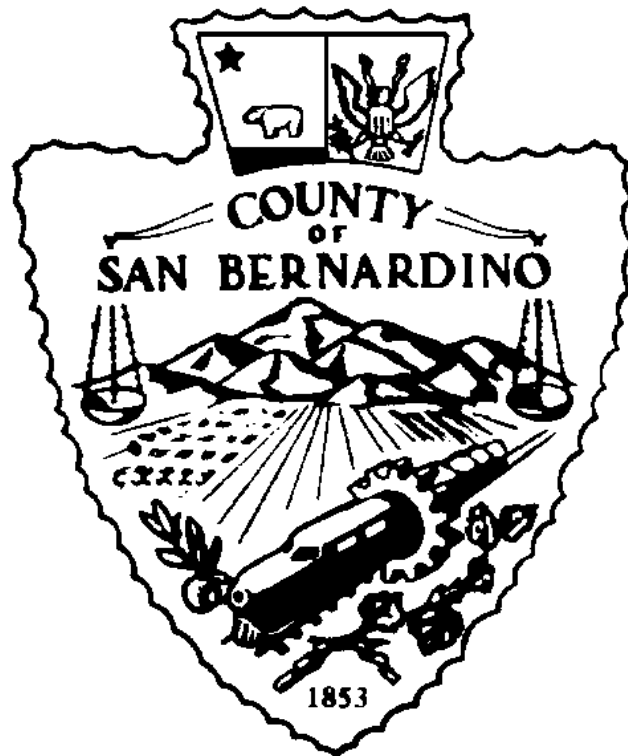
The management's discussion and analysis on pages 19 through 34 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2003, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, and combining individual non-major fund statements and schedules, and statistical section as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vawter, Trene, Day & Co., LLP

Rancho Cucamonga, California
November 26, 2003





MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2003

This section of the County's annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic statements following this section.

FINANCIAL HIGHLIGHTS (Amounts in thousands)

- The County's total net assets increased by \$ 58,454. The net increase is attributable to the \$66,437 increase in governmental activities net assets and the \$7,983 decrease in business-type activities net assets.
- As of June 30, 2003, the County governmental funds reported combined fund balances of \$620,114, an increase of \$29,219 in comparison with the prior year. Approximately 79.5% of the combined fund balances, \$492,794 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$256,818, or 16% of the total general fund expenditures.
- The County's total capital assets increased by \$73,900 in comparison with the prior year. (See further detail on page 32)
- The County's total long-term debt decreased by \$29,904 in comparison with the prior year. (See further detail on pages 33).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

Government-Wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business. These statements include *all* assets and liabilities of the County using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Management's Discussion and Analysis

(Amounts in thousands)

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollectible taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services. The business-type activities of the County include the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Ultrascreen Theater, the Museum Gift Shop, and the Regional Parks Snack Bar Operations.

Component units are blended in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provided services entirely to the County. The following component units have been blended into the basic financial statements: Fire Protection Districts, Flood Control District, Park and Recreation Districts, Crestline Sanitation District, County Service Areas, various Joint Powers Authorities, ("JPAs") including a Public Benefits Corporation created for the benefit of the County, Inland Empire Facilities Corporation, Inland Empire Solid Waste Financing Authority, San Bernardino County Financing Authority and the Crestline Financing Authority.

The government-wide financial statements can be found on pages 37 - 38 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Management's Discussion and Analysis

(Amounts in thousands)

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains thirty-one individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 41 - 43 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The County uses enterprise funds to account for the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Ultrascreen Theater, the Museum Gift Shop, and the Regional Parks Snack Bar Operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its printing services, records management, central mail services, telephone services, computer operations, vehicle services, self-insured worker's compensation, public liability, property conservation, and safety programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Medical Center and Waste Systems Division are considered to be major funds of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 44 - 46 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Fiduciary fund financial statements can be found on pages 47 - 48 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes can be found on pages 50 - 92 of this report.

Management's Discussion and Analysis

(Amounts in thousands)

Supplemental Information

The Supplemental Information section of this report contains the combining statements and additional budgetary comparison schedules as well as the statistical section. This section is presented to provide additional information that is useful to the users of these financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by \$982,908 at the close of the most recent fiscal year.

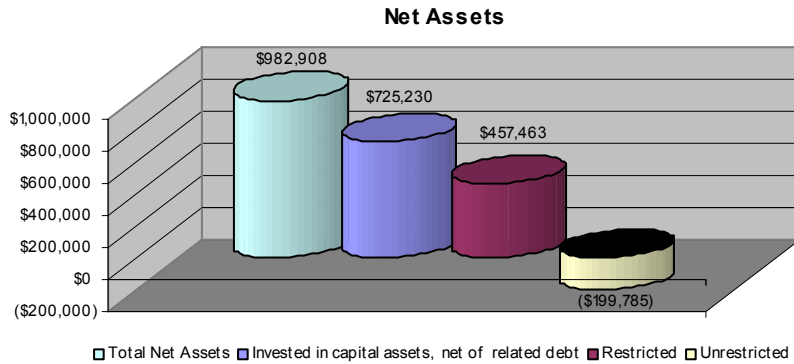
	Governmental Activities		Business-Type Activities		Total	
	2003	As Restated 2002	2003	As Restated 2002	2003	As Restated 2002
Current and other assets	\$ 1,004,708	\$ 973,743	\$ 307,178	\$ 291,091	\$ 1,311,886	\$ 1,264,834
Capital assets	1,120,463	1,089,154	626,075	666,849	1,746,538	1,756,003
Total assets	2,125,171	2,062,897	933,253	957,940	3,058,424	3,020,837
Current and other liabilities	298,065	290,404	40,690	39,313	338,755	329,717
Long-term Liabilities	888,450	900,274	848,311	866,392	1,736,761	1,766,666
Total liabilities	1,186,515	1,190,678	889,001	905,705	2,075,516	2,096,383
Net assets:						
Invested in capital assets, net of related debt	789,223	792,956	(63,993)	(39,382)	725,230	753,574
Restricted	410,106	397,757	47,357	44,130	457,463	441,887
Unrestricted	(260,673)	(318,494)	60,888	47,487	(199,785)	(271,007)
Total Net Assets	\$ 938,656	\$ 872,219	\$ 44,252	\$ 52,235	\$ 982,908	\$ 924,454

The largest portion of the County's net assets of \$725,230 reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the County's net assets represents restricted net assets of \$457,463. This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

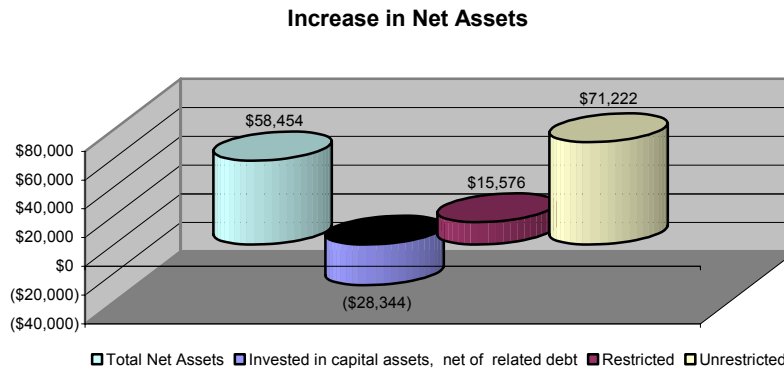
The final component of net assets is unrestricted net assets. Unrestricted net assets are resources that the County may use to meet its current and ongoing obligation to citizens and creditors. The deficit balance for unrestricted net assets was primarily caused by the County's election to issue the 1995 Pension Obligation Revenue Bonds, which were used to fund the unfunded accrued actuarial long-term liability with respect to the retirement benefits of the County's employees. The issuance of the Revenue Bonds is not a reflection of the County's lack of resources to meet its current and ongoing obligations to the citizens and creditors. The current principal balance on the Pension Obligation Revenue Bond is \$434,889 (for more detail see Note 11 page 76)

Management's Discussion and Analysis (Amounts in thousands)



For business-type activities, the County reported a negative balance of \$63,993 invested in capital assets, net of related debt. This negative balance was due primarily to the Medical Center's capital assets that are being depreciated faster than the related debt schedule payments.

The County's net assets increased \$58,454 during the current fiscal year. The remainder of this growth largely reflects increases in other state and federal operating grants and the increase in charges for services.



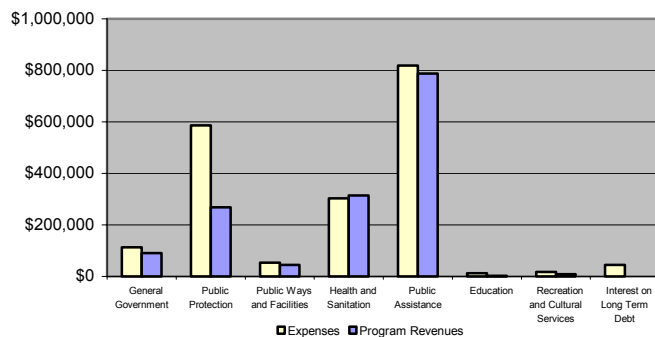
Management's Discussion and Analysis (Amounts in thousands)

The following table indicates the changes in net assets for governmental and business-type activities.

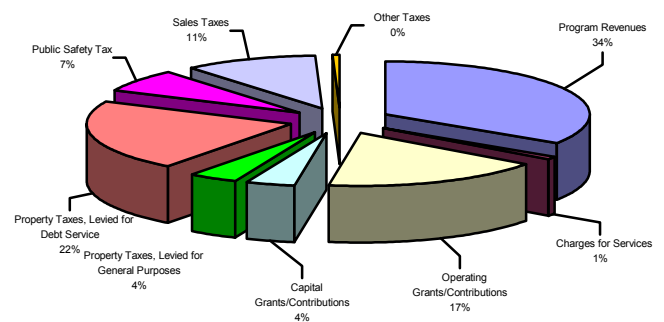
	Governmental Activities		Business-Type Activities		Total	
	2003	As Restated 2002	2003	As Restated 2002	2003	As Restated 2002
Revenues:						
Program Revenues						
Charges for Services	\$ 343,164	\$ 317,916	\$ 381,593	\$ 357,744	\$ 724,757	\$ 675,660
Operating Grants/Contributions	1,159,751	1,199,367	15,621	46,814	1,175,372	1,246,181
Capital Grants/Contributions	14,780	7,705	29,735	30,365	44,515	38,070
General Revenue						
Property Taxes, Levied for General Purposes	185,768	181,558	7,221	4,110	192,989	185,668
Property Taxes, Levied for Debt Service	4,224	4,173	-	-	4,224	4,173
Public Safety Tax	94,206	90,363	-	-	94,206	90,363
Sales Taxes	21,766	19,572	-	-	21,766	19,572
Other Taxes	20,167	14,797	-	-	20,167	14,797
Motor Vehicle In-Lieu taxes	117,661	111,964	-	-	117,661	111,964
Unrestricted Revenues from Use of Money and Property	37,247	51,769	14,107	17,185	51,354	68,954
Miscellaneous	58,393	73,186	3,281	3,700	61,674	76,886
Gains on Sale of Capital Assets	2,332	1,834	168	-	2,500	1,834
Total Revenues	2,059,459	2,074,204	451,726	459,918	2,511,186	2,534,122
Expenses:						
General Government	113,270	121,398	-	-	113,270	121,398
Public Protection	586,715	532,666	-	-	586,715	532,666
Public Ways and Facilities	53,849	54,690	-	-	53,849	54,690
Health and Sanitation	303,216	332,361	-	-	303,216	332,361
Public Assistance	818,786	804,164	-	-	818,786	804,164
Education	12,782	14,826	-	-	12,782	14,826
Recreation and Cultural Services	17,456	15,321	-	-	17,456	15,321
Interest on Long Term Debt	45,109	49,542	-	-	45,109	49,542
Medical Center	-	-	418,332	399,621	418,332	399,621
Waste Systems	-	-	62,393	43,493	62,393	43,493
Other	-	-	20,823	17,000	20,823	17,000
Total Expenses	1,951,183	1,924,968	501,548	460,114	2,452,731	2,385,082
Excess (Deficit) before Transfers	108,276	149,236	(49,822)	(196)	58,455	149,040
Transfers	(41,839)	(9,208)	41,839	9,208	-	-
Increase in Net Assets	66,437	140,028	(7,983)	9,012	58,455	149,040
Net Assets -- Bgining of Year, as Restated	872,219	732,191	52,235	43,223	924,454	775,414
Net Assets -- End of Year	\$ 938,656	\$ 872,219	\$ 44,252	\$ 52,235	\$ 982,909	\$ 924,454

Governmental activities. Governmental activities increased the County's net assets by \$66,437. The overall increase in net assets is the result of ongoing revenues exceeding ongoing expenditures.

Expenses and Program Revenues-Governmental Activities



Revenues by Source-Governmental Activities



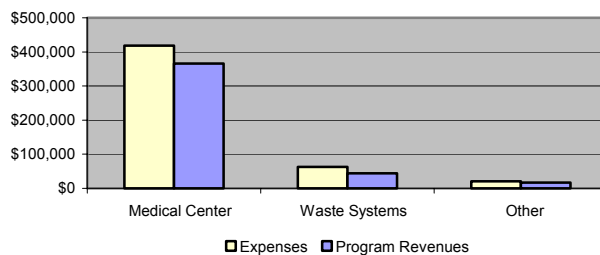
Management's Discussion and Analysis (Amounts in thousands)

Business-type activities. Business-type activities decreased the County's net assets by \$7,983.

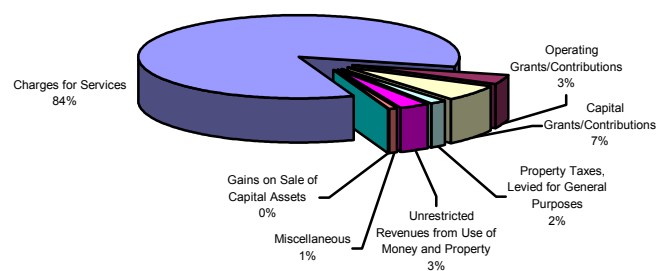
The net decrease in net assets was primarily due to the activities in the Waste Systems Division. The Key factors in the decrease were the decrease in transfers in from the General Fund of approximately \$6,400 and the increase in professional services, insurance, environmental and infrastructure mitigation, closure/post closure, and depreciation and amortization expenses, in the amounts of \$3,100; \$2,000; \$1,700; \$9,000; and \$3,000 respectively.



Expenses and Program Revenues- Business-type Activities



Revenues by Source-Business-type Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2003, the County's governmental funds reported a total fund balance of \$620,114, an increase of \$29,219 in comparison with the prior year. Approximately 79.5% of the total fund balance, \$492,794 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay debt service of \$48,947; 2) to reflect inventories and the amounts due from other funds that are long-term in nature and thus do not represent available spendable resources of \$6,667; 3) to liquidate contractual commitments of the period of \$62,629; 4) and to reflect the mandated 1% reserve for property tax losses of \$9,077.

The general fund is the chief operating fund of the County. At June 30, 2003, unreserved fund balance of the general fund was \$256,818 while total fund balance reached \$285,574. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents

Management's Discussion and Analysis

(Amounts in thousands)

16% of total fund expenditures, while total fund balance represents 17.8% of the same amount.

The County's management also designates (earmarks) unreserved fund balance to a particular function, project or activity. Fund balances may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$256,818 General Fund unreserved fund balance, 41.4% is designated. The most significant designations are \$32,075 for Medical Center Debt Service, \$31,936 for General Purpose, \$10,183 for Teeter Plan (reserve for property tax losses), and \$7,000 for Future Retirement Rate. Unreserved undesignated fund balance at year-end was \$150,554.

Revenues for governmental functions totaled \$2,064,906 in fiscal year 2002-2003, which represents a decrease of 0.16% from fiscal year 2001-2002.

The following table presents the amount of revenue from various sources as well as increases or decreases from the prior year.

Revenues	2002-03		Over (Under) 2001-02	
	Amount	Percent of Total	Amount	Percent
Taxes	\$ 329,753	16%	\$ 20,914	7%
Licenses, Permits and Penalties	16,670	1%	150	1%
Fines, Forfeitures and Penalties	18,841	1%	2,267	14%
Revenues From Use of Money and Property	37,247	2%	(14,675)	-28%
Aid From Other Governmental Agencies	1,296,324	63%	(27,401)	-2%
Charges for Current Services	307,653	15%	22,831	8%
Other Revenues	58,418	3%	(15,549)	-21%
Total Revenues	<u>\$ 2,064,906</u>	<u>100%</u>	<u>\$ (11,463)</u>	

The County's three major funding sources; taxes, aid from other governmental agencies, and charges for current services constitute for 92.3% of all revenues.

Tax revenues increased by \$20,914 due to increases in Public Safety Tax, Sales Taxes, and Other Taxes in the amounts of \$3,900; \$2,200; and \$5,500 respectively. The remaining increase of \$9,314 is due to the increase in Property Taxes resulting from the rise in assessed valuation and general growth.

Revenues from use of money and property decreased by \$14,675. The key elements of the increase as follows:

- Tax Revenue Anticipation Notes investment revenue decreased by \$6,600 in the current year in comparison to the previous fiscal year.
- Interest revenue due back to the county from other governmental agencies decrease by \$1,565.
- Investment earnings decreased by \$2,300 due to decreased investment earnings resulting from lower interest rates.

Charges for Current Services increased by \$22,831. Approximately \$6,090 or 26.7% of the overall increase is due to the reimbursement for indirect costs included in the 2002-2003 County Wide Cost Allocation Plan. The remaining \$16,741 is due to fee and workload increases throughout the remaining County Departments.

Management's Discussion and Analysis

(Amounts in thousands)

Other Revenue decreased by \$15,549 in the current year. \$11,293 or 72.6% of the decrease is attributable to the one time litigation settlement received in the prior fiscal year.

The following table presents expenditures by function compared to prior year amounts.

Expenditures	2002-03		Over (Under) 2001-02	
	Amount	Percent of Total	Amount	Percent
Current:				
General Government	\$ 110,847	5%	\$ (7,822)	-7%
Public Protection	560,753	27%	39,320	8%
Public Ways and Facilities	59,272	3%	1,003	2%
Health and Sanitation	301,484	15%	(29,671)	-9%
Public Assistance	814,631	40%	14,593	4%
Education	12,543	1%	(83)	-1%
Recreation and Cultural Services	14,986	1%	670	5%
Debt Service				
Principal	96,480	5%	71,818	291%
Interest and Fiscal Charges	30,313	1%	(5,504)	-15%
Capital Outlay	60,147	3%	173	0%
Total Expenditures	<u>\$ 2,061,456</u>	<u>100%</u>	<u>\$ 84,497</u>	

Total County expenditures increased \$84,497 or 4.3% from 2002 to 2003. The increase in salaries in the governmental funds was driven by increased employment and cost of living adjustments account for \$64,000 of the increase in the functional expenditures.

Public Protection expenditures increased \$39,300. Approximately \$18,800 or 48% of the increase is attributable to the increase in salaries expenditures for the Child Support and Sheriff Departments. Flood Control expenditures also increase by \$10,800 due to various ongoing projects, which included the Eitiwanda/San Sevaine Channel, San Timoteo Channel, and the West Street Storm Drain.

Health and Sanitation expenditures decreased \$29,700. The net decrease is the result of a decrease in the Health Care Budget Unit of \$56,300, an increase in Behavioral Health costs of \$27 million, and an increase in Public Health costs of \$8,000. The decrease in the Health Care Budget Unit is a result of the reclassification of functional expenditures from Health and Sanitation to transfers to other funds.

Debt service principal payments increased by \$71,800, the increase is attributable to the County's prepayment of \$71,700 of outstanding principal in Certificates of Participation.

Debt service interest payments decreased by \$5,500 million, the increase is attributable to the overall reduction in interest rates that affect the interest payments due on Certificates of Participation that have variable interest rates.

Management's Discussion and Analysis

(Amounts in thousands)

Other financing sources and uses are presented below to illustrate changes from the prior year.

Other Financing Sources (Uses) Governmental Funds

	FY 2003	FY 2002	Increase/(Decrease)	
			Amount	Percent
Transfers to Other Funds	\$ (182,454)	\$ (117,727)	\$ (64,727)	55%
Transfers from Other Funds	140,615	108,519	32,096	30%
Proceeds from Refunding Bonds	63,791	119,659	(55,868)	100%
Payment to Refunding Bond Escrow Agent	-	(112,171)	112,171	100%
Inception of Capital Lease Obligations	1,485	2,903	(1,418)	-49%
Sale of Capital Assets	2,332	1,834	498	27%
Total Other Financing Sources and (Uses)	<u>\$ 25,769</u>	<u>\$ 3,017</u>	<u>\$ 22,752</u>	

Total Other Financing Sources and (Uses) increased by \$22,752.

The transfers to other funds increased by \$64,727 in 2002-03. The key elements of the increases are as follows:

- The General Fund's Health Care Budget Unit transferred \$28,000 in State Realignment funds to the Medical Center. This transaction represents a reclassification from the Health and Sanitation functional expenditures in the prior year to a transfer to other funds in the current year.
- Increase of \$9,200 in transfers from the General Fund to the Pension Obligation Debt Service Fund.
- Increase of \$4,235 in transfers from the General Fund to the Capital Improvements Fund for various capital projects associated with the Behavioral Health Department.
- \$6,000 in one time transfers from the General Fund to the Transportation Department to finance the design and construction of the Valley Blvd and Pepper Ave. intersection project.
- \$6,365 in one time transfers from the General Fund to Waste Systems Division to finance the costs related to the perchlorate investigation at the Mid-Valley Landfill.

The transfers from other funds increased by \$32,096 in 2002-03. The key elements of the increase are as follows:

- Increase of \$2,600 in transfers from the Master Tobacco Settlement Fund.
- Increase of \$1,380 in transfers from the Temporary Courthouse Fund.
- \$6,000 in one time transfers from the General Fund to the Transportation Department to finance the design and construction of the Valley Blvd and Pepper Ave. intersection project.
- Increase of \$9,200 in transfers from the General Fund to the Pension Obligation Debt Service Fund.

Management's Discussion and Analysis

(Amounts in thousands)

Proceeds from Refunding Bonds and Payments to Refunding Bond Escrow Agent decreased by \$55,868 and \$112,171 respectively. The decreases were a net effect from the advance refunding by the issue of new Certificates of Participation with a total liability of only \$64,180 in the current year and the Certificates of Participation totaling \$63,880 that were prepaid by the proceeds from the new issuance.

Schedule of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

	Governmental Activities		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 1,706,764	\$ 358,142	\$ 2,064,906
Expenditures	(1,604,648)	(456,808)	(2,061,456)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	102,116	(98,666)	3,450
Total Other Financing Sources and (Uses)	(99,110)	124,879	25,769
Net Change In Fund Balance	3,006	26,213	29,219
Fund Balance, July 1, 2001 as Restated	282,568	308,327	590,895
Fund Balance, June 30, 2002	<u>\$ 285,574</u>	<u>\$ 334,540</u>	<u>\$ 620,114</u>

The fund balance of the County's General Fund increased by \$3,006 during the fiscal year. The increase is the resulted from ongoing revenues exceeding ongoing expenditures.

Management's Discussion and Analysis

(Amounts in thousands)

Proprietary funds. The County's proprietary funds provide the same type of format found in the governmental-wide financial statements, but in more detail.

At June 30, 2003, the Medical Center had total deficit in net assets of (\$22,584). In addition, the Waste Systems Division had a deficit in net assets of (\$23,374).

The following table shows actual revenues, expenses and results of operations for the current fiscal year:

	Business-Type Activities -- Enterprise Funds			Total Enterprise Funds
	Medical Center	Waste Systems Division	Other Enterprise Funds	
Revenues				
Net Patient Care and Services	\$ 320,290	\$ -	\$ -	\$ 320,290
Charges for Current Services	-	43,600	17,031	60,631
Other	15,386	672	-	16,058
Total Operating Revenues	<u>335,676</u>	<u>44,272</u>	<u>17,031</u>	<u>396,979</u>
Operating Expenses				
Professional Services	33,884	22,803	1,303	57,990
Salaries and Employee Benefits	124,346	3,346	6,299	133,991
Self insurance claims			1	1
Services and Supplies	198,189	15,240	7,971	221,400
Depreciation and Amortization	24,350	20,181	2,604	47,135
Other	2,755	-	323	3,078
Total Operating Expenses	<u>383,524</u>	<u>61,570</u>	<u>18,501</u>	<u>463,595</u>
Operating Income (Loss)	<u>(47,848)</u>	<u>(17,298)</u>	<u>(1,470)</u>	<u>(66,616)</u>
Nonoperating Revenues (Expenses)				
Interest Revenue	5,956	7,122	854	13,932
Interest Expense	(34,143)	(823)	(251)	(35,217)
Tax Revenue	2,920	-	4,301	7,221
Grant Revenue	29,735	-	235	29,970
Gain (Loss) on Sale of Capital Assets	-	176	(8)	168
Other Nonoperating Revenues	464	1,766	1,051	3,281
Other Nonoperating Expenses	(665)	-	(2,071)	(2,736)
Total Nonoperating Revenues (Expenses)	<u>4,267</u>	<u>8,241</u>	<u>4,111</u>	<u>16,619</u>
Income (Loss) Before Transfers	(43,581)	(9,057)	2,641	(49,997)
Transfers to Other Funds	(4,310)	(5,112)	(2,222)	(11,644)
Transfers from Other Funds	<u>48,104</u>	<u>5,365</u>	<u>189</u>	<u>53,658</u>
Change in Net Assets (Deficit)	213	(8,804)	608	(7,983)
Net Assets (Deficit), July 1, 2002, as Restated	<u>(22,797)</u>	<u>(14,570)</u>	<u>89,602</u>	<u>52,235</u>
Net Assets (Deficit), June 30, 2003	<u>\$ (22,584.0)</u>	<u>\$ (23,374.0)</u>	<u>\$ 90,210.0</u>	<u>\$ 44,252.0</u>

The net decrease in net assets was primarily due to the activities in the Waste Systems Division. The Key factors in the decrease were the decrease in transfers in from the General Fund of approximately \$6,400 and the increase in professional services, insurance, environmental and infrastructure mitigation, closure/post closure, and depreciation and amortization expenses, in the amounts of \$3,100; \$2,000; \$1,700; \$9,000; and \$3,000 respectively.

The nonmajor enterprise fund's net assets increased by \$608 as a result of increased user fees over expenses.

Management's Discussion and Analysis

(Amounts in thousands)

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget differs from the original budget by less than 1.5%. Supplemental appropriations of \$ 25,726 were approved during the fiscal year. The significant components of this increase are summarized below.

On July 23, 2002, the Board adopted a budget amendment to increase the budget of the District Attorney's office by \$2,007. This increase was due to a new contract between the Public Attorney's Association and the County.

On July 30, 2002, the Board adopted a budget amendment to increase the budget for the HSS Child Care program by \$6,346. This increase was due to higher than expected State and Federal funding for CalWorks childcare and development services.

On September 10, 2002, the Board adopted a budget amendment to increase the budget for the Probation Department by \$1,943. This increase was due to a new contract between the Safety Employees' Benefit Association (SEBA) and the County.

On October 22, 2002, the Board adopted a budget amendment to increase the budget for the Sheriff's Department by \$1,185. This increase was to fund the Citizen's Option for Public Safety (COPS) program salaries.

On November 5, 2002, the Board adopted a budget amendment to decrease the budget for the Human Services System by \$16,405. This decrease was made to offset reduced State funding.

On December 17, 2002, the Board adopted a budget amendment to increase the budget for the Probation Department by \$1,536. This increase was due to the installation of a Juvenile, Adult and Institutions Case Management System. Also included in this budget amendment, was computer equipment to expand the use of the case management system.

On January 14, 2003, the Board adopted a budget amendment to increase the budget for Behavioral Health by \$6,461. This increase was due to increased services to Medi-Cal eligible children, age 0 – 21 for Early Periodic Screening, Diagnostic and Treatment (EPSDT) services.

On May 6, 2003, the Board adopted a budget amendment to increase the budget for the Transitional Assistance Department (TAD) by \$17,129. This increase reflects two contract amendments that were received by TAD. The first contract amendment was between the County (TAD) and the California Dept of Education that increased the contract amount by \$4,936. The second contract amendment was between the County (TAD) and the California Dept of Social Services that increased the contract amount by \$12,193. These contracts were for childcare and development services for fiscal year 2003.

On June 10, 2003, a budget adjustment of \$1,085 was required to cover the actual cost of Unemployment Insurance (UI) benefits paid in fiscal year 2003.

Also, on June 20, 2003, a budget adjustment of \$1,682 was required to cover an increase in utility costs for fiscal year 2003.

The General Fund budget to actual statement can be found on page 43 of this report.

Management's Discussion and Analysis

(Amounts in thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The County's equity investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$725,230 (net of accumulated depreciation). This investment in capital assets includes land, improvements to land, structures and improvements, equipment, construction in progress (CIP), and infrastructure less bonds and capital leases payable related to those assets.

Major capital asset events during the current fiscal year include the following:

- The Waste Systems Division had approximately \$2,888 in additions to land improvements. The additions to land improvements were the result of the following projects: 1) The Mid Valley Expansion – Unit Phase II Project in the amount of \$1,088; 2) the Mid Valley Perchlorate Wells in the amount of \$1,573.
- The Special Aviation Fund had various projects in construction with a value in Construction In Progress (CIP) of \$21,145. The majority of the CIP was attributed to the Chino Airport Runway Relocation Project.
- The Capital Improvement Fund had the Juvenile Hall Housing Facility Remodel project under construction with a CIP value of \$13,562.
- The Flood Control Fund has various flood control channel facilities under construction with a CIP value of value of \$9,176. The majority of the of the flood control facilities comprised the following: 1) The West State Street Drain in the amount of \$2,191; the West CUC Channel with a CIP value of \$1,219; the Hermosa Storm Drain with a CIP value of \$1,448; the San Bernardino Storm Drain with a CIP value of \$1,057; and the Hickory Basin.
- The County evaluated its non-major governmental funds and reclassified funds that did not meet the definition of special revenues and capital projects funds to enterprise. The result of this review moved/restated approximately \$5,767 in capital assets to the enterprise funds. \$2,332 in land reclassification and \$3,435 in improvements to land.
- The County overall purchased and capitalized equipment in the amount of \$21,403 for fiscal year ending June 30, 2003. Approximately \$11,219 or 52.42% of the total is comprised of vehicle additions.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent
	2003	As Restated 2002	2003	As Restated 2002	2003	As Restated 2002	of Change
Land	\$ 48,501	\$ 48,501	\$ 39,400	\$ 39,400	\$ 87,901	\$ 87,901	0.00%
Construction in progress	75,058	66,389	7,247	2,849	82,305	69,238	18.87%
Improvements other than Buildings	116,040	103,357	186,810	184,801	302,850	288,158	5.10%
Structures and Improvements	441,909	411,345	532,473	532,713	974,382	944,058	3.21%
Equipment	191,738	193,931	97,810	99,842	289,548	293,773	-1.44%
Infrastructure	978,592	958,550	-	-	978,592	958,550	2.09%
Total	<u>\$ 1,851,838</u>	<u>\$ 1,782,073</u>	<u>\$ 863,740</u>	<u>\$ 859,605</u>	<u>\$ 2,715,578</u>	<u>\$ 2,641,678</u>	<u>2.80%</u>

Additional information on the County's capital assets can be found on Note 9 on pages 72-73 of this report.

Management's Discussion and Analysis

(Amounts in thousands)

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Long-term debt

Major long-term debt events during the current fiscal year include the following:

- Issued new Certificates of Participation with net liability of \$157,566.
- Certificates of Participation totaling \$63,880 and Revenue Bonds totaling \$92,120 were prepaid by the proceeds from the new debt issues
- Amortization of deferred amount of refunding and discounts totaled \$19,740.
- A total of \$118,443 in principal payments was made on debt. The total includes \$46,778 in annual principal payments due plus \$71,665 in prepayment of outstanding principal in Certificates of Participation.
- The beginning balance of the estimated liability for closure/postclosure care costs was reduced/restated by \$30,407. Please refer to notes of the basic financial statements (note 4) for further detail.

Long-term debt for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent
	2003	2002	2003	As Restated 2002	2003	As Restated 2002	of Change
Certificates of Participation	\$ 232,640	\$ 249,756	\$ 694,739	\$ 622,057	\$ 927,379	\$ 871,813	6.37%
General Obligation Bonds	-	-	2,657	2,979	2,657	2,979	-10.81%
Revenue Bonds	434,889	430,898	-	94,832	434,889	525,730	-17.28%
Other Bonds and Notes Payable	21,184	21,499	2,729	1,556	23,913	23,055	3.72%
Compensated Absences	81,011	75,974	6,038	5,789	87,049	81,763	6.47%
Capital Lease Obligations	6,994	8,682	289	669	7,283	9,351	-22.12%
Estimated Liability for Litigation and Self-Insured Claims	93,802	95,288	-	-	93,802	95,288	-1.56%
Estimated Liability for Closure/Postclosure Care Cost	-	-	141,859	138,509	141,859	138,509	2.42%
Other Long-Term Debt	17,930	18,177	-	-	17,930	18,177	-1.36%
Total	\$ 888,450	\$ 900,274	\$ 848,311	\$ 866,391	\$ 1,736,761	\$ 1,766,665	-1.69%

Additional information on the County's long-term debt can be found in Note 11 on pages 75-81 of this report.

Management's Discussion and Analysis

(Amounts in thousands)

ECONOMIC FACTORS AND FY03 BUDGETING

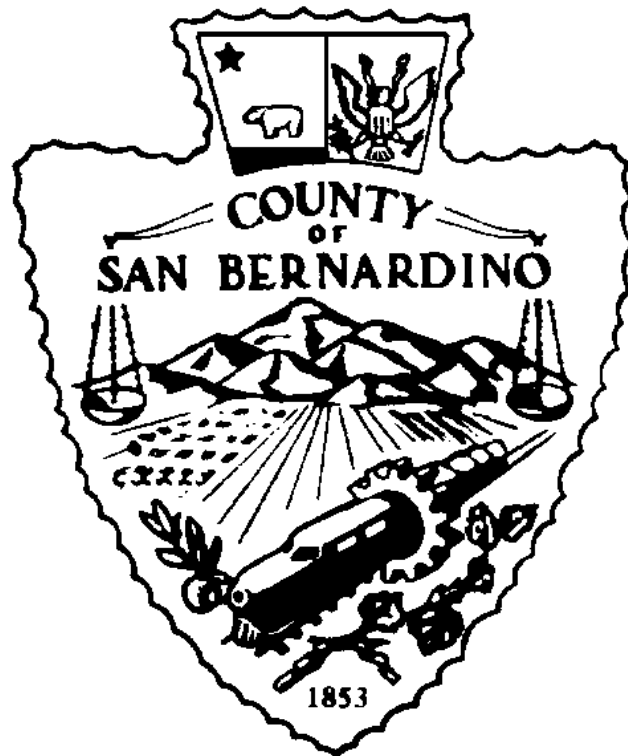
1. On November 17, 2003, the Governor issued an executive order which:
 - Rescinded the letter issued by the Director of Finance on June 20, 2003 to reinstate the full vehicle license fee and eliminate the offset from the State General Fund.
 - Ordered the Department of Motor Vehicles to reinstate the General Fund offset to the vehicle license fee as soon as administratively feasible.
 - Ordered the Department of Motor Vehicles to refund to taxpayers all overpayments of vehicle license fees paid since June 20, 2003, in excess of amounts due taking into account the offset.

On this same day, the Governor issued a proclamation convening an extraordinary session of the legislature on November 18, 2003 to consider several items, including legislation relative to funding the offset of the motor vehicle license fee from the State's General Fund. As of this date, this issue has not been resolved. The County currently estimates that it could lose a total of \$94.0 million in discretionary vehicle license fee revenues and \$27.0 million in realignment vehicle license fee revenues in 2003-04 if the VLF backfill is eliminated for the entire fiscal year.

2. Property tax revenues have increased due to rise in assessed valuation and general growth.
3. Sales of new and existing homes in the County continue increase due to the increased demand for affordable housing in the region. This demand is directly related to the job growth of the area and the continued migration of families from higher priced coastal counties of California.
4. The County's overall economy continues to grow with a 2.7% increase in employment totaling 18,600 new jobs.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, separate reports of the County's component units or need any additional financial information, contact the Auditor/Controller-Recorder Office, 222 W. Hospitality Lane, County of San Bernardino, California, 92415.

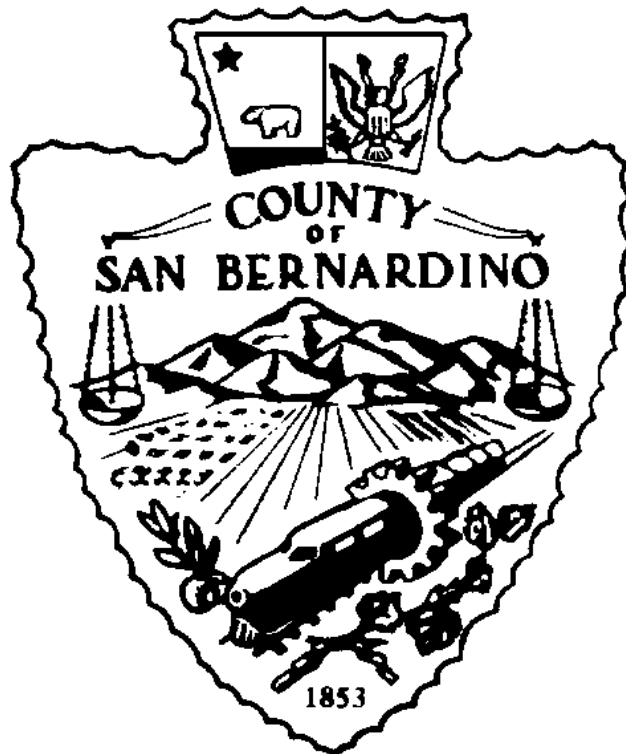




BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



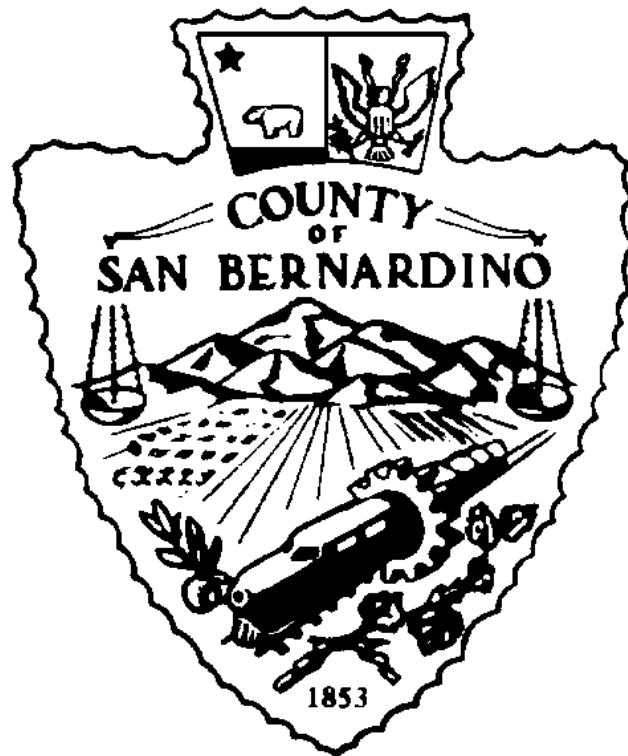
COUNTY OF SAN BERNARDINO
STATEMENT OF NET ASSETS
JUNE 30, 2003 (IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 604,497	\$ 51,558	\$ 656,055
INVESTMENTS	9,675	-	9,675
ACCOUNTS RECEIVABLE - NET (NOTE 2)	8,216	44,401	52,617
TAXES RECEIVABLE	17,131	930	18,061
INTEREST RECEIVABLE	848	21,655	22,503
LOAN RECEIVABLE	1,326	-	1,326
OTHER RECEIVABLES	1,387	-	1,387
DUE FROM OTHER GOVERNMENTS	155,679	31,911	187,590
INTERNAL BALANCES	22,003	(22,003)	-
INVENTORIES	3,524	1,371	4,895
PREPAID ITEMS	3,115	13,137	16,252
DEFERRED CHARGES	48	2,073	2,121
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	177,220	151,798	329,018
OTHER ASSETS	39	10,347	10,386
LAND (NOTE 9)	48,501	39,400	87,901
STRUCTURES, IMPROVEMENTS, AND INFRASTRUCTURE (NOTE 9)	1,536,540	719,283	2,255,823
EQUIPMENT (NOTE 9)	191,738	97,810	289,548
ACCUMULATED DEPRECIATION AND AMORTIZATION (NOTE 9)	(731,374)	(237,665)	(969,039)
CONSTRUCTION IN PROGRESS (NOTE 9)	75,058	7,247	82,305
TOTAL ASSETS	2,125,171	933,253	3,058,424
LIABILITIES			
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	50,210	19,418	69,628
SALARIES AND BENEFITS PAYABLE	36,404	6,102	42,506
DUE TO OTHER GOVERNMENTS	32,024	965	32,989
INTEREST PAYABLE	4,975	14,191	19,166
DEFERRED REVENUE	4,452	14	4,466
TRANS NOTE PAYABLE	170,000	-	170,000
NONCURRENT LIABILITIES (NOTE 11):			
PORTION DUE OR PAYABLE IN ONE YEAR:			
COMPENSATED ABSENCES PAYABLE (NOTE 11)	54,000	5,854	59,854
COP BONDS AND NOTES PAYABLE (NOTE 11)	20,879	27,069	47,948
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 14)	2,483	289	2,772
OTHER LONG TERM LIABILITIES (NOTE 11)	165	-	165
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11 & 17)	-	11,501	11,501
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10 & 11)	32,047	-	32,047
PORTION DUE OR PAYABLE AFTER ONE YEAR:			
COMPENSATED ABSENCES PAYABLE (NOTE 11)	27,011	183	27,194
COP BONDS AND NOTES PAYABLE, NET (NOTE 11)	667,834	673,057	1,340,891
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 14)	4,511	-	4,511
OTHER LONG TERM LIABILITIES (NOTE 11)	17,765	-	17,765
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11 & 17)	-	130,358	130,358
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10 & 11)	61,755	-	61,755
	1,186,515	889,001	2,075,516
NET ASSETS:			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	789,223	(63,993)	725,230
RESTRICTED (NOTE 5)	410,106	47,357	457,463
UNRESTRICTED	(260,673)	60,888	(199,785)
TOTAL NET ASSETS	\$ 938,656	\$ 44,252	\$ 982,908

The notes to the basic financial statements are an integral part of this statement.

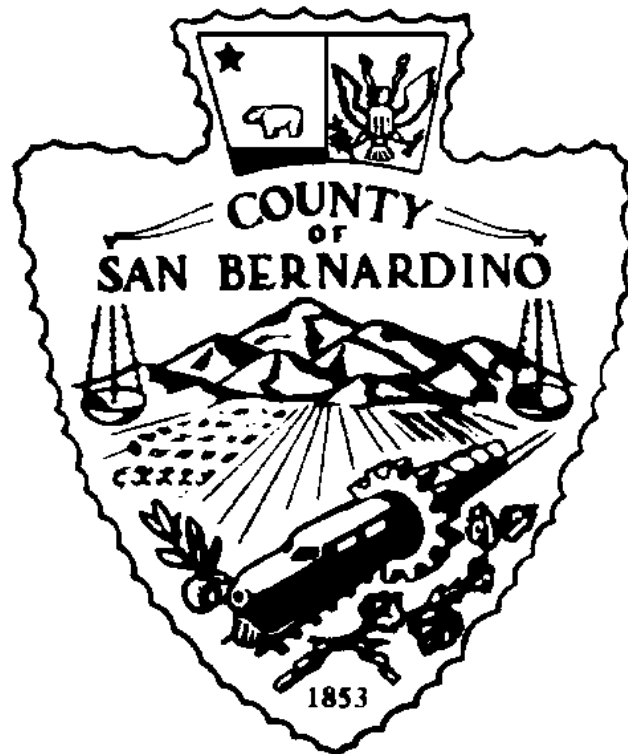
COUNTY OF SAN BERNARDINO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003 (IN THOUSANDS)

	PROGRAM REVENUES				NET (EXPENSE)/REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
GENERAL GOVERNMENT	\$ 113,270	\$ 84,719	\$ 5,588	\$ -	\$ (22,963)	\$ -	\$ (22,963)
PUBLIC PROTECTION	586,715	132,329	121,453	14,780	(318,153)	-	(318,153)
PUBLIC WAYS AND FACILITIES	53,849	3,154	41,400	-	(9,296)	-	(9,296)
HEALTH AND SANITATION	303,216	110,458	204,083	-	11,325	-	11,325
PUBLIC ASSISTANCE	818,786	2,915	785,015	-	(30,856)	-	(30,856)
EDUCATION	12,782	889	1,711	-	(10,182)	-	(10,182)
RECREATION AND CULTURAL SERVICES	17,456	8,700	501	-	(8,255)	-	(8,255)
INTEREST ON LONG TERM DEBT	45,109	-	-	-	(45,109)	-	(45,109)
TOTAL GOVERNMENTAL ACTIVITIES	1,951,183	343,164	1,159,751	14,780	(433,489)	-	(433,489)
BUSINESS-TYPE ACTIVITIES:							
MEDICAL CENTER	418,332	320,290	15,386	29,735	-	(52,921)	(52,921)
WASTE SYSTEMS	62,393	44,272	-	-	-	(18,121)	(18,121)
OTHER	20,823	17,031	235	-	-	(3,557)	(3,557)
TOTAL BUSINESS-TYPE ACTIVITIES	501,548	381,593	15,621	29,735	-	(74,599)	(74,599)
TOTAL PRIMARY GOVERNMENT	\$ 2,452,731	\$ 724,757	\$ 1,175,372	\$ 44,515	(433,489)	(74,599)	(508,088)
GENERAL REVENUES:							
PROPERTY TAXES, LEVIED FOR GENERAL PURPOSES					185,768	7,221	192,989
PROPERTY TAXES, LEVIED FOR DEBT SERVICE					4,224	-	4,224
PUBLIC SAFETY TAX					94,206	-	94,206
SALES TAXES					21,766	-	21,766
OTHER TAXES					20,167	-	20,167
MOTOR VEHICLE IN-LIEU TAXES					117,661	-	117,661
UNRESTRICTED REVENUES FROM USE OF MONEY AND PROPERTY					37,247	14,107	51,354
MISCELLANEOUS					58,393	3,281	61,674
GAINS ON SALE OF CAPITAL ASSETS					2,332	168	2,500
TRANSFERS					(41,839)	41,839	-
TOTAL GENERAL REVENUES AND TRANSFERS					499,925	66,616	566,541
CHANGE IN NET ASSETS					66,437	(7,983)	58,454
NET ASSETS - BEGINNING , AS RESTATED (NOTE 3)					872,219	52,235	924,454
NET ASSETS - ENDING					\$ 938,656	\$ 44,252	\$ 982,908





FUND FINANCIAL STATEMENTS



**COUNTY OF SAN BERNARDINO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003 (IN THOUSANDS)**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 213,321	\$ 314,249	\$ 527,570
INVESTMENTS (NOTE 6)	-	9,675	9,675
ACCOUNTS RECEIVABLES - NET (NOTE 2)	4,403	2,097	6,500
TAXES RECEIVABLE	20,821	12,094	32,915
INTEREST RECEIVABLE	522	153	675
LOANS RECEIVABLE	1,326	-	1,326
OTHER RECEIVABLES	1,300	87	1,387
DUE FROM OTHER FUNDS (NOTE 7)	36,212	16,343	52,555
DUE FROM OTHER GOVERNMENTS (NOTE 2)	120,114	23,169	143,283
INVENTORIES	1,166	933	2,099
PREPAID ITEMS	302	1,019	1,321
INTERFUND RECEIVABLE (NOTE 7)	25	150	175
RESTRICTED CASH AND INVESTMENTS (NOTES 6 & 8)	175,154	2,066	177,220
OTHER ASSETS	-	39	39
TOTAL ASSETS	<u>\$ 574,666</u>	<u>\$ 382,074</u>	<u>\$ 956,740</u>
LIABILITIES AND FUND BALANCES			
ACCOUNTS PAYABLE	\$ 25,363	\$ 22,371	\$ 47,734
SALARIES AND BENEFITS PAYABLE	30,363	4,685	35,048
DUE TO OTHER FUNDS (NOTE 7)	8,335	8,851	17,186
DUE TO OTHER GOVERNMENTS	30,014	2,010	32,024
INTEREST PAYABLE	4,975	-	4,975
DEFERRED REVENUE (NOTE 2)	20,042	9,217	29,259
INTERFUND PAYABLE (NOTE 7)	-	400	400
BONDS AND NOTES PAYABLE (NOTE 11)	170,000	-	170,000
TOTAL LIABILITIES	<u>289,092</u>	<u>47,534</u>	<u>336,626</u>
FUND BALANCES (NOTE 5):			
RESERVED FOR:			
ENCUMBRANCES	15,542	47,087	62,629
PREPAID ITEMS	1,489	1,000	2,489
NONCURRENT INTERFUND RECEIVABLES	25	453	478
INVENTORIES	1,166	933	2,099
LOANS RECEIVABLE	1,457	144	1,601
DEBT SERVICE	-	48,947	48,947
TEETER	9,077	-	9,077
UNRESERVED, REPORTED IN:			
DESIGNATED	106,264		106,264
UNDESIGNATED			
GENERAL FUND	150,554	-	150,554
SPECIAL REVENUE FUNDS	-	200,564	200,564
CAPITAL PROJECTS FUNDS	-	34,898	34,898
PERMANENT FUNDS	-	514	514
TOTAL FUND BALANCES	<u>285,574</u>	<u>334,540</u>	<u>620,114</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 574,666</u>	<u>\$ 382,074</u>	

Amounts reported for governmental activities in the statement of net assets are different because (NOTE 4):

Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds. 1,100,690

Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 9,383

Internal service funds that are used by management to charge the costs of general services, telephone services, computer operations, vehicle services, risk management, and flood control equipment to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. (1,180)

Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore are not reported in the funds. (790,351)

Net assets of governmental activities (page 37) \$ 938,656

COUNTY OF SAN BERNARDINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003 (IN THOUSANDS)

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
TAXES	\$ 250,842	\$ 78,911	\$ 329,753
LICENSES, PERMITS AND FRANCHISES	16,396	274	16,670
FINES, FORFEITURES AND PENALTIES	8,580	10,261	18,841
REVENUES FROM USE OF MONEY AND PROPERTY	25,495	11,752	37,247
AID FROM OTHER GOVERNMENTAL AGENCIES	1,109,763	186,561	1,296,324
CHARGES FOR CURRENT SERVICES	283,111	24,542	307,653
OTHER REVENUES	12,577	45,841	58,418
TOTAL REVENUES	1,706,764	358,142	2,064,906
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	105,860	4,987	110,847
PUBLIC PROTECTION	454,769	105,984	560,753
PUBLIC WAYS AND FACILITIES	2,267	57,005	59,272
HEALTH AND SANITATION	296,301	5,183	301,484
PUBLIC ASSISTANCE	721,680	92,951	814,631
EDUCATION	1,550	10,993	12,543
RECREATION AND CULTURAL SERVICES	10,229	4,757	14,986
DEBT SERVICE			
PRINCIPAL	1,611	94,869	96,480
INTEREST AND FISCAL CHARGES	3,114	27,199	30,313
CAPITAL OUTLAY	7,267	52,880	60,147
TOTAL EXPENDITURE	1,604,648	456,808	2,061,456
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	102,116	(98,666)	3,450
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS (NOTE 7)	(137,371)	(45,083)	(182,454)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	38,003	102,612	140,615
PROCEEDS FROM REFUNDING BONDS	-	63,791	63,791
PAYMENT TO REFUNDED BOND ESCROW AGENT	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	117	1,368	1,485
SALE OF CAPITAL ASSETS	141	2,191	2,332
TOTAL OTHER FINANCING SOURCES AND (USES)	(99,110)	124,879	25,769
NET CHANGE IN FUND BALANCE	3,006	26,213	29,219
FUND BALANCE, JULY 1, 2002 - AS RESTATED (NOTE 3)	282,568	308,327	590,895
FUND BALANCE, JUNE 30, 2003	\$ 285,574	\$ 334,540	\$ 620,114
NET CHANGES IN FUND BALANCES -- TOTAL GOVERNMENTAL			\$ 29,219
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			31,871
Internal service funds are used by management to charge the costs of general service group, telephone services, computer operations, vehicle services, risk management, and flood control equipment. The net revenues of the internal service funds is reported within governmental activities.			1,856
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			(6,401)
Expenses in the statement of activities that do not require the use of the current financial resources and, therefore, are not reported as expenditures in the governmental funds.			(14,796)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds, report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			24,688
Changes in net assets of governmental activities (page 38)			<u><u>\$ 66,437</u></u>

COUNTY OF SAN BERNARDINO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ON A BUDGETARY BASIS
YEAR ENDED JUNE 30, 2003 (IN THOUSANDS)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 241,013	\$ 241,052	\$ 250,842	\$ 9,790
LICENSES, PERMITS AND FRANCHISES	17,063	17,063	16,396	(667)
FINES, FORFEITURES AND PENALTIES	12,802	12,802	8,580	(4,222)
REVENUES FROM USE OF MONEY AND PROPERTY	26,847	26,847	25,495	(1,352)
AID FROM OTHER GOVERNMENTAL AGENCIES	1,074,034	1,096,637	1,109,763	13,126
CHARGES FOR CURRENT SERVICES	291,476	295,215	283,111	(12,104)
OTHER REVENUES	15,971	17,027	12,577	(4,450)
TOTAL REVENUES	1,679,206	1,706,643	1,706,764	121
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	165,861	157,254	105,739	51,515
PUBLIC PROTECTION	461,261	474,093	452,787	21,306
PUBLIC WAYS AND FACILITIES	2,416	2,416	2,257	159
HEALTH AND SANITATION	321,281	331,409	296,600	34,809
PUBLIC ASSISTANCE	749,176	760,802	721,734	39,068
EDUCATION	1,469	1,469	1,469	-
RECREATION AND CULTURAL SERVICES	10,759	10,763	10,178	585
DEBT SERVICE	-	-	-	-
PRINCIPAL	2,231	2,230	1,611	619
INTEREST AND FISCAL CHARGES	5,154	5,151	3,144	2,007
CAPITAL OUTLAY	10,308	10,055	5,902	4,153
TOTAL EXPENDITURE	1,729,916	1,755,642	1,601,421	154,221
EXCESS OF REVENUES OVER EXPENDITURES	(50,710)	(48,999)	105,343	154,342
OTHER FINANCING SOURCES (USES):				
TRANSFERS TO OTHER FUNDS (NOTE 7)	(133,077)	(148,771)	(137,398)	11,373
TRANSFERS FROM OTHER FUNDS (NOTE 7)	35,596	36,792	38,003	1,211
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	117	117	117	-
SALE OF CAPITAL ASSETS	730	730	141	(589)
TOTAL OTHER FINANCING SOURCES AND (USES)	(96,634)	(111,132)	(99,137)	11,995
NET CHANGE IN FUND BALANCE	(147,344)	(160,131)	6,206	166,337
FUND BALANCE, JULY 1, 2002 - AS RESTATED (NOTE 3)	263,826	263,826	263,826	-
FUND BALANCE, JUNE 30, 2003	\$ 116,482	\$ 103,695	\$ 270,032	\$ 166,337

COUNTY OF SAN BERNARDINO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 5,059	\$ 14,329	\$ 32,170	\$ 51,558	\$ 76,927
ACCOUNTS RECEIVABLE - NET (NOTE 2)	35,819	6,262	2,320	44,401	1,716
TAXES RECEIVABLE	-	930	-	930	-
INTEREST RECEIVABLE	767	20,888	-	21,655	173
OTHER RECEIVABLES	-	-	-	-	-
DUE FROM OTHER FUNDS (NOTE 7)	750	137	312	1,199	582
DUE FROM OTHER GOVERNMENTS	28,511	5,257	446	34,214	458
INVENTORIES	1,235	-	136	1,371	1,425
PREPAID ITEMS	481	12,656	-	13,137	1,794
TOTAL CURRENT ASSETS	72,622	60,459	35,384	168,465	83,075
NONCURRENT ASSETS:					
DEFERRED CHARGES	-	2,073	-	2,073	48
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	60,827	90,971	-	151,798	-
INTERFUND RECEIVABLE (NOTE 7)	-	-	-	-	-
OTHER ASSETS	10,347	-	-	10,347	-
LAND, STRUCTURE, IMPROVEMENTS, AND INFRASTRUCTURE	512,850	142,280	103,553	758,683	7,049
EQUIPMENT	92,283	2,009	3,518	97,810	52,243
ACCUMULATED DEPRECIATION AND AMORTIZATION	(110,168)	(78,563)	(48,934)	(237,665)	(39,519)
CONSTRUCTION IN PROGRESS	-	3,665	3,582	7,247	-
TOTAL NONCURRENT ASSETS	566,139	162,435	61,719	790,293	19,821
TOTAL ASSETS	638,761	222,894	97,103	958,758	102,896
LIABILITIES					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	12,497	5,742	1,179	19,418	2,476
SALARIES AND BENEFITS PAYABLE	5,861	178	63	6,102	1,356
DUE TO OTHER FUNDS (NOTE 7)	19,318	6,107	80	25,505	1,760
DUE TO OTHER GOVERNMENTS	-	965	-	965	-
INTEREST PAYABLE	14,108	9	74	14,191	-
DEFERRED REVENUE	-	-	14	14	360
COMPENSATED ABSENCES PAYABLE (NOTE 11)	5,647	207	-	5,854	-
BONDS AND NOTES PAYABLE (NOTE 11)	21,890	4,650	529	27,069	-
CAPITAL LEASE OBLIGATIONS (NOTE 11)	289	-	-	289	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	11,501	-	11,501	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	32,047
TOTAL CURRENT LIABILITIES	79,610	29,359	1,939	110,908	37,999
NONCURRENT LIABILITIES					
INTERFUND PAYABLE (NOTE 7)	-	-	-	-	25
COMPENSATED ABSENCES PAYABLE	-	87	96	183	2,553
BONDS AND NOTES PAYABLE	581,735	86,464	4,858	673,057	-
CAPITAL LEASE OBLIGATIONS	-	-	-	-	1,744
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	130,358	-	130,358	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	61,755
TOTAL NONCURRENT LIABILITIES	581,735	216,909	4,954	803,598	66,077
TOTAL LIABILITIES	661,345	246,268	6,893	914,506	104,076
NET ASSETS:					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	(98,602)	(21,723)	56,332	(63,993)	18,029
RESTRICTED FOR:					
OTHER RESTRICTIONS	47,357	-	-	47,357	-
UNRESTRICTED	28,661	(1,651)	33,878	60,888	(19,209)
TOTAL NET ASSETS	\$ (22,584)	\$ (23,374)	\$ 90,210	\$ 44,252	\$ (1,180)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED, JUNE 30, 2003 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES:					
NET PATIENT CARE AND SERVICE	\$ 320,290	\$ -	\$ -	\$ 320,290	\$ -
CHARGES FOR CURRENT SERVICES	-	43,600	17,031	60,631	125,714
OTHER	15,386	672	-	16,058	-
TOTAL OPERATING REVENUES	335,676	44,272	17,031	396,979	125,714
OPERATING EXPENSES:					
PROFESSIONAL SERVICES	33,884	22,803	1,303	57,990	5,111
SALARIES AND EMPLOYEE BENEFITS	124,346	3,346	6,299	133,991	25,349
SELF-INSURANCE CLAIMS	-	-	1	1	31,651
SERVICES AND SUPPLIES	198,189	15,240	7,971	221,400	58,471
DEPRECIATION AND AMORTIZATION	24,350	20,181	2,604	47,135	5,332
OTHER	2,755	-	323	3,078	98
TOTAL OPERATING EXPENSES	383,524	61,570	18,501	463,595	126,012
OPERATING INCOME (LOSS)	(47,848)	(17,298)	(1,470)	(66,616)	(298)
NONOPERATING REVENUES (EXPENSES)					
INTEREST REVENUE	5,956	7,122	854	13,932	2,663
INTEREST EXPENSE	(34,143)	(823)	(251)	(35,217)	(94)
TAX REVENUE	2,920	-	4,301	7,221	-
GRANT REVENUE	29,735	-	235	29,970	-
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	176	(8)	168	185
OTHER NONOPERATING REVENUES	464	1,766	1,051	3,281	250
OTHER NONOPERATING EXPENSES	(665)	-	(2,071)	(2,736)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	4,267	8,241	4,111	16,619	3,004
CHANGE IN NET ASSETS (DEFICIT) BEFORE TRANSFERS	(43,581)	(9,057)	2,641	(49,997)	2,706
TRANSFERS TO OTHER FUNDS (NOTE 7)	(4,310)	(5,112)	(2,222)	(11,644)	(3,267)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	48,104	5,365	189	53,658	3,092
CHANGE IN NET ASSETS (DEFICIT)	213	(8,804)	608	(7,983)	2,531
TOTAL NET ASSETS, JULY1, 2002, AS RESTATED (NOTE 3)	(22,797)	(14,570)	89,602	52,235	(3,711)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2003	\$ (22,584)	\$ (23,374)	\$ 90,210	\$ 44,252	\$ (1,180)

COUNTY OF SAN BERNARDINO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED, JUNE 30, 2003 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM PATIENT CARE AND SERVICES	\$ 328,216	\$ 40,172	\$ 17,189	\$ 385,577	\$ 125,526
CASH PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES	(225,950)	(34,318)	(9,173)	(269,441)	(100,057)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(120,045)	(3,361)	(6,339)	(129,745)	(25,172)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(17,779)	2,493	1,677	(13,609)	297
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
TAXES RECEIVED	2,920	-	4,315	7,235	-
GRANTS RECEIVED	-	-	235	235	-
OTHER NONOPERATING REVENUE	(201)	(37)	1,051	813	56
TRANSFERS RECEIVED	48,104	365	493	48,962	728
TRANSFERS PAID	(4,310)	-	(2,748)	(7,058)	(815)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	46,513	328	3,346	50,187	(31)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
STATE DEBT SERVICE FUNDING RECEIVED	29,735	-	-	-	-
ACQUISITION OF CAPITAL ASSETS	(976)	(2,297)	(1,103)	(4,376)	(3,974)
PRINCIPAL PAID ON CAPITAL LEASE OBLIGATIONS	(380)	-	(91)	(471)	(1,188)
INTEREST PAID ON CAPITAL LEASE OBLIGATIONS	-	-	-	-	(96)
PRINCIPAL PAID ON BONDS AND NOTES	(20,850)	(96,850)	(423)	(118,123)	-
INTEREST PAID ON BONDS AND NOTES	(34,549)	(2,017)	(261)	(36,827)	-
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	619	-	619	188
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(27,020)	(100,545)	(1,878)	(159,178)	(5,070)
CASH FLOWS FROM INVESTING ACTIVITIES:					
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENTS	-	93,875	-	93,875	-
INTEREST ON INVESTMENTS	6,193	2,934	854	9,981	2,615
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,193	96,809	854	103,856	2,615
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,907	(915)	3,999	10,991	(2,189)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	57,979	106,215	28,171	192,365	79,116
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 65,886</u>	<u>\$ 105,300</u>	<u>\$ 32,170</u>	<u>\$ 203,356</u>	<u>\$ 76,927</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ (47,848)	\$ (17,298)	\$ (1,470)	\$ (66,616)	\$ (298)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	24,350	20,181	2,604	47,135	5,332
BAD DEBT EXPENSE	20,297	-	-	20,297	-
AMORTIZATION RELATED TO DEBT	3,046	-	-	3,046	-
CHANGES IN ASSETS AND LIABILITIES:					
ACCOUNTS RECEIVABLE	(19,871)	(4,214)	161	(23,924)	(1,249)
DUE FROM OTHER GOVERNMENTS	(2,517)	-	(2)	(2,519)	15
INVENTORIES	44	-	(5)	39	404
PREPAID ITEMS	2,897	576	-	3,473	(1,226)
DEFERRED CHARGES	-	(1,718)	-	(1,718)	94
ACCOUNTS PAYABLE AND OTHER LIABILITIES	861	1,616	429	2,906	(1,551)
SALARIES AND BENEFITS PAYABLE	733	-	3	736	176
ESTIMATED LIABILITIES FOR CLOSURE/POST CARE CLOSURE COSTS	-	3,350	-	3,350	-
ESTIMATED LIABILITIES FOR LITIGATION AND SELF-INSURANCE CLAIMS	-	-	-	-	(1,486)
COMPENSATED ABSENCES PAYABLE	229	-	(43)	186	86
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (17,779)</u>	<u>\$ 2,493</u>	<u>\$ 1,677</u>	<u>\$ (13,609)</u>	<u>\$ 297</u>
BREAKDOWN OF CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS	\$ 5,059	\$ 14,329	\$ 32,170	\$ 51,558	\$ 76,927
RESTRICTED CASH AND INVESTMENTS	60,827	90,971	-	151,798	-
	<u>\$ 65,886</u>	<u>\$ 105,300</u>	<u>\$ 32,170</u>	<u>\$ 203,356</u>	<u>\$ 76,927</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003 (IN THOUSANDS)

	TOTAL	INVESTMENT TRUST	AGENCY
ASSETS			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 1,920,472	\$ 1,643,886	276,586
INVESTMENTS (NOTE 6)	7,936	-	7,936
ACCOUNTS RECEIVABLE - NET	188	188	-
TAXES RECEIVABLE	141,951	50	141,901
INTEREST RECEIVABLE	212	-	212
LOANS RECEIVABLE	45	45	-
DUE FROM OTHER FUNDS (NOTE 7)	10,279	8,866	1,413
DUE FROM OTHER GOVERNMENTS	660	480	180
INTERFUND PAYABLE	250	-	250
TOTAL ASSETS	<u>\$ 2,081,993</u>	<u>\$ 1,653,515</u>	<u>\$ 428,478</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
DUE TO OTHER FUNDS (NOTE 7)	\$ 20,164	\$ 2,375	17,789
DUE TO OTHER GOVERNMENTS	410,689	-	410,689
TOTAL LIABILITIES	<u>\$ 430,853</u>	<u>\$ 2,375</u>	<u>\$ 428,478</u>
NET ASSETS			
NET ASSETS HELD IN TRUST FOR INVESTMENT POOL PARTICIPANTS	<u>\$ 1,651,140</u>	<u>\$ 1,651,140</u>	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
INVESTMENT TRUST FUND
YEAR ENDED JUNE 30, 2003 (IN THOUSANDS)

	<u>INVESTMENT TRUST FUND</u>
ADDITIONS:	
CONTRIBUTIONS ON POOLED INVESTMENTS	\$ 7,413,491
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	(1,601)
INTEREST INCOME ON CASH AND SECURITIES	<u>42,011</u>
TOTAL ADDITIONS	7,453,901
DEDUCTIONS:	
DISTRIBUTIONS FROM POOLED INVESTMENTS	<u>7,140,849</u>
TOTAL DEDUCTIONS	<u>7,140,849</u>
NET INCREASE IN NET ASSETS	313,052
NET ASSETS HELD IN TRUST, JULY 1, 2002, AS RESTATED (NOTE 3)	<u>1,338,088</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2003	<u><u>\$ 1,651,140</u></u>

The notes to the basic financial statements are an integral part of this statement.